

What is a trust?

Trusts are not the big mystery that everyone thinks. A trust is a vehicle to hold money or property. Someone creates a trust when they transfer the ownership of an asset into another person or persons' name (the Trustees) for the benefit of someone else (the Beneficiaries). A gift into a trust might take place in someone's Will or it could be a gift during lifetime. The trust document, whether it be a Will or a separate document (known as a Deed) sets out the terms of the trust, for instance who are the beneficiaries, who are the Trustees and what actions the Trustees can take with the trust assets.

Why use a trust to protect my assets?

You may wish to make sure that a particular asset such as a house or a sum of cash is set aside for your dependents in the future. Leaving assets outright (without a trust) to family might mean that the asset ends up with someone else that you had not intended. Family may remarry, get into financial difficulty or be wealthy in their own right and the unpredictable nature of family circumstances means that if you place assets into trust you can still keep control of who benefits and when.

You may be thinking that you would like to set up an arrangement for your children's or grandchildren's maintenance and education or to make sure that your family home is preserved for your spouse or partner and family in the future.

If you have life insurance or a death in service payment as part of your job you may like the payments due from those policies when you die not pass straight to your family. Instead you can name trustees to receive the lump sum due from the policy and they can hold the funds for the benefit of beneficiaries you name. This also reduces exposure to Inheritance Tax and means your family can access the funds but without having risked the money ending up in the wrong hands.

Have a chat with us about how Trusts can help your own family and financial circumstances.

When can I set up a trust?

You can set up a trust on death or in your lifetime. You must take advice before you do this because there can be tax consequences when making gifts. If you make a gift into trust to avoid an asset being claimed by a known creditor the gift could be set aside. Trusts are usually part of a larger estate planning exercise but it's fine to set up a trust on its own.

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